



General Assembly

February Session, 2016

***Raised Bill No. 341***

LCO No. 2189



Referred to Committee on GOVERNMENT ADMINISTRATION  
AND ELECTIONS

Introduced by:  
(GAE)

***AN ACT MODIFYING PROHIBITIONS AGAINST CONTINGENT FEES  
AND COMMISSIONS FOR PUBLIC ACCOUNTANTS AND REQUIRING  
ONLINE RENEWAL OF LICENSES.***

Be it enacted by the Senate and House of Representatives in General  
Assembly convened:

1 Section 1. Section 20-281l of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2016*):

3 [(a) Except as expressly permitted by this section, a licensee shall  
4 not: (1) Pay a fee or commission to obtain a client; or (2) accept a fee or  
5 commission for referring a client to the products or services of a third  
6 party.

7 (b) A licensee, who is not performing any of the services set forth in  
8 subsection (c) of this section and who complies with the provisions of  
9 subsection (d) of this section, may accept a fee or commission for  
10 referring a client to the products or services of a third party if such  
11 referral is made in conjunction with professional services provided to  
12 the client by such licensee making such referral. Nothing in this  
13 subsection shall be construed to permit the solicitation or acceptance of

14 a fee or commission solely for the referral of a client to a third party.]

15 [(c)] (a) A licensee shall not [perform services for] recommend or  
16 refer any product or service to a client for a commission and shall not  
17 accept a commission from a client during the period that the licensee is  
18 performing for such client any of the following services or during the  
19 period that is covered by any historical financial statements that are  
20 involved in any of the following services:

21 (1) An audit or review of a financial statement;

22 (2) [a] A compilation of a financial statement if the licensee expects  
23 or [has reasonable cause to] might reasonably expect that a third party  
24 will use the financial statement and the licensee's compilation report  
25 does not disclose a lack of independence; or

26 (3) [an] An examination of prospective financial information.

27 [(d)] (b) A licensee who is not prohibited under this section from  
28 performing services for a [fee or] commission or from accepting a [fee  
29 or] commission and who is paid or expects to be paid a [fee or]  
30 commission shall disclose such payment or expectation to any [client  
31 or other] person or entity to whom such licensee recommends or refers  
32 a product or service to which the [fee or] commission relates.

33 [(e) As used in this section, "fee" includes, but is not limited to, a  
34 commission, rebate, preference, discount or any other consideration.

35 (f) This section does not prohibit payments for the purchase of all, or  
36 a material part, of an accounting practice, or retirement payments to  
37 individuals who are or were formerly engaged in the practice of public  
38 accountancy, or payments to the heirs or estates of such individuals.

39 (g) Nothing in this section shall be construed to relieve a licensee  
40 from any requirement under federal or state law that obligates such  
41 licensee to obtain a license or authorization prior to referring a client to  
42 the products or services of a third party, including, but not limited to,

43 any license requirements under federal or state securities or insurance  
44 laws.]

45 Sec. 2. Section 20-281m of the general statutes is repealed and the  
46 following is substituted in lieu thereof (*Effective October 1, 2016*):

47 (a) A licensee shall not, during any period in which the licensee is  
48 engaged to perform any of the services listed in this subsection or  
49 during any period covered by any historical financial services involved  
50 in any of such services: (1) Perform for a contingent fee any of the  
51 following professional services, or accept a contingent fee from a client  
52 for whom the licensee or the licensee's firm performs any of the  
53 following services: (A) An audit or review of a financial statement; (B)  
54 a compilation of a financial statement if the licensee expects or has  
55 reasonable cause to expect that a third party will use the financial  
56 statement and the licensee's compilation report does not disclose a lack  
57 of independence; or (C) an examination of prospective financial  
58 information, or (2) prepare an original or amended tax return or claim  
59 for a tax refund for a contingent fee for any client.

60 (b) As used in this section, "contingent fee" means a fee established  
61 for the performance of a service that will not be charged unless a  
62 specified finding or result is attained or in which the amount of the fee  
63 is dependent on a specified finding or result of such service.  
64 "Contingent fee" does not include: (1) A fee fixed by courts or other  
65 [public] governmental authorities; (2) a fee in a tax matter that is based  
66 on the results of judicial proceedings or the findings of governmental  
67 agencies; or (3) a fee that varies based [solely] on the complexity of the  
68 services rendered.

69 [(c) A contingent fee arrangement between a licensee and a client  
70 shall be in writing and shall state the method by which the fee is  
71 determined.]

72 Sec. 3. Section 20-281d of the general statutes is repealed and the  
73 following is substituted in lieu thereof (*Effective October 1, 2016*):

74 (a) The board shall issue or renew licenses to persons who make  
75 application and demonstrate their qualifications in accordance with  
76 subsections (b) to (g), inclusive, of this section.

77 (b) Licenses shall be initially issued for one year and renewed  
78 annually. Applications for such licenses shall be made in such form,  
79 and in the case of applications for renewal, between such dates, as the  
80 board shall by regulation, adopted in accordance with the provisions  
81 of chapter 54, specify.

82 (c) An applicant for initial issuance of a license under this section  
83 shall show:

84 (1) That [he] such applicant holds a valid certificate;

85 (2) If the applicant's certificate was issued more than four years  
86 prior to his or her application for issuance of an initial license under  
87 this section, that [he] the applicant has fulfilled the requirements of  
88 continuing professional education that would have been applicable  
89 under subsection (e) of this section if he or she had secured [his] an  
90 initial license within four years of issuance of his or her certificate and  
91 was now applying under subsection (e) of this section for renewal of  
92 such license.

93 (d) The board shall issue a certificate to a holder of a certificate  
94 issued by another state upon a showing that:

95 (1) The applicant passed the examination required for issuance of  
96 his or her certificate with grades that would have been passing grades  
97 at the time in this state; and

98 (2) The applicant meets all current requirements in this state for  
99 issuance of a certificate at the time the application is made; or the  
100 applicant, at the time of the issuance of the applicant's certificate in the  
101 other state, met all such requirements then applicable in this state; or  
102 the applicant has had five years of experience in the practice of public

103     accountancy no earlier than the ten years immediately preceding the  
104     applicant's application or meets equivalent requirements prescribed by  
105     the board by regulation.

106         (e) For renewal of a license under this section, an applicant shall  
107     show that he or she has completed forty hours of continuing  
108     professional education during each year from the date of issuance or  
109     last renewal. The board may prescribe, by regulation adopted in  
110     accordance with the provisions of chapter 54, the content, duration and  
111     organization of continuing professional education courses which  
112     contribute to the general professional competence of the applicant.

113         (f) For renewal of a license under this section, the board shall charge  
114     the following fees for failure to earn continuing education credits by  
115     the June thirtieth deadline:

116             (1) Three hundred fifteen dollars for reporting on a renewal  
117     application a minimum of forty hours of continuing professional  
118     education, any of which was earned after June thirtieth and on or by  
119     September thirtieth;

120             (2) Six hundred twenty-five dollars for reporting on a renewal  
121     application a minimum of forty hours of continuing professional  
122     education any of which was earned after June thirtieth and on or by  
123     December thirty-first.

124         (g) The board shall charge a fee of one hundred fifty dollars for the  
125     initial issuance and the professional services fee for class I, as defined  
126     in section 33-182I, for each annual renewal of such license.

127         (h) Applicants for initial issuance or renewal of licenses under this  
128     section shall in their applications list all states in which they have  
129     applied for or hold certificates or licenses, and each holder of or  
130     applicant for a license under this section shall notify the board in  
131     writing, within thirty days after its occurrence, of any issuance, denial,  
132     revocation or suspension of a certificate or license by another state.

133        (i) The board shall administer an online renewal system for licenses  
134        renewed under this section. Each applicant for a license renewal under  
135        this section shall use such online renewal system and pay the  
136        applicable fee using a credit card or electronic transfer of funds from a  
137        bank or credit union account, except a licensee may request a waiver of  
138        the requirement to use such system due to extenuating circumstances  
139        and the board may allow the licensee to renew his or her license using  
140        a paper form.

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| This act shall take effect as follows and shall amend the following sections: |                 |         |
| Section 1   | October 1, 2016 | 20-281l |
| Sec. 2  | October 1, 2016 | 20-281m |
| Sec. 3  | October 1, 2016 | 20-281d |

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| Section 1 | October 1, 2016 | 20-281l |
| Sec. 2    | October 1, 2016 | 20-281m |
| Sec. 3    | October 1, 2016 | 20-281d |

***Statement of Purpose:***

To modify provisions concerning the prohibitions against holders of a certificate, license or permit issued by the Board of Accountancy accepting commissions and contingent fees and to require licensees to renew their license to practice public accountancy online and to make technical changes.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*